



**Leo W. Gerard**  
International President

## **HOUSE WAYS AND MEANS COMMITTEE HEARING ON CHINA'S EXCHANGE RATE POLICY, SEPTEMBER 15, 2010**

Dear U.S. Representative Bob Etheridge:

This is to respond to your questions of me for the record in connection with my testimony at the House Ways and Means Committee hearing on China's Exchange Rate Policy held on September 15, 2010.

Your questions are apt and rightly recognize that textile mills in North Carolina cannot compete, maintain or create new jobs, or make a profit when they are forced to compete against textile industries in China which are state-sponsored and heavily subsidized. As you note, the Chinese government heavily subsidizes its domestic textile makers and the textile mills and workers in your own district have been some of the biggest victims of such unfair trading practices. As the largest industrial union in North America, we understand the pain and suffering the textile industry and its workers are experiencing. Many domestic industries in diverse sectors, such as steel, paper and aluminum, and millions of workers, including thousands of USW members, continually take the brunt of harm caused by deliberate Chinese government industrial policies -- policies and practices that are not based on market principles but rather on a model of state capitalism and unfair trade practices.

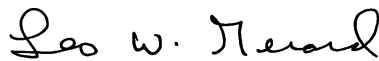
To fight back against such intentional anti-competitive behavior, the USW has been a petitioner in many countervailing duty (CVD) cases against China, and in case after case we see the same pattern repeated over and over again -- a broad assortment of subsidies given to boost production of exported goods. Main inputs, like steel and aluminum billets, pulp or rubber are provided at low-cost to downstream exporting producers. Chinese government-owned banks provide low-cost loans, tax breaks are given by provincial and local governments, and energy and land are provided at give-away prices. The outcome is all too predictable -- our market is targeted with huge volumes of dumped goods that typically vastly undersell domestic producers (and other imports) leading to plant closures, lost jobs and shattering the lives of workers and their families and local communities -- just as textile mills are experiencing in your North Carolina district.

The USW is committed to using the countervailing duty law where warranted, in particular against China; the law can effectively counter subsidies with a tariff which works to create a level playing field in the U.S. market and thus provides relief for our workers and industries from the harmful effects of such foreign government

subsidization. However, the countervailing duty law needs to be strengthened to clarify that currency manipulation as a subsidy that can be countered by a tariff (a countervailing duty). China manipulates its currency deliberately to gain an export advantage and, as you correctly note, this is a blatant subsidy. Most economists agree that such manipulation – the worst beggar-thy-neighbor trade practice -- provides a massive subsidy in the range of 25- 40 percent. Clearly, this makes Chinese goods sold here in America much cheaper than U.S.-made goods and thus causes the harm your textile mills and their workers and families must suffer as a consequence, as so many other domestic industries and workers must bear.

There is reason to hope. On September 28<sup>th</sup>, House members voted overwhelmingly by a margin of 348 - 79 in favor of H.R. 2378 (Currency Reform for Fair Trade Act), which amends the countervailing duty law to situations of currency manipulation. We thank you for your yes vote on this important piece of trade legislation and urge to apply your efforts in assisting that this bill becomes law.

Sincerely,

A handwritten signature in black ink that reads "Leo W. Gerard". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Leo W. Gerard  
International President

October 04, 2010

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